



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

May 29, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *ASR*
Auditor-Controller

SUBJECT: **CHARLES R. DREW UNIVERSITY – OFFICE OF AIDS PROGRAMS
AND POLICY – AN HIV/AIDS PREVENTIVE CARE AND CARE
SERVICES CONTRACTOR**

We have completed a fiscal review of Charles R. Drew University (University or Agency), an HIV/AIDS preventive care and care services provider.

Background

The Department of Public Health, Office of AIDS Programs and Policy (OAPP) contracts with the University to provide HIV/AIDS case management, mental health counseling, peer support, treatment adherence, early intervention assistance, AIDS drug assistance program enrollment screening, bridge projects, positive changes and self help services. The University is located in the Second District.

The University has five contracts with OAPP with various contract terms effective March 1, 2005 and ending June 30, 2006, for a total contract maximum of \$1,038,703. Under the contract provisions, OAPP pays the University on a cost reimbursement basis. From March 1, 2005 to May 2006, the University received \$948,001 in OAPP funds.

Purpose/Methodology

The purpose of our review was to ensure that the University appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of the University's accounting records, internal controls, and compliance with the contract and

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applicable federal and State fiscal guidelines governing the Ryan White, Comprehensive AIDS Resource Emergency (CARE) Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

Overall, the Agency maintained sufficient internal controls over its business operations and appropriately spent funds in accordance with the County contract. The Agency also properly recorded and deposited payments from the County and followed an appropriate methodology to allocate shared costs between programs.

The contract requires that OAPP funds be used only for services that cannot be paid for through other sources. However, the University did not pursue payment for client services from Medi-Cal, private medical insurance or other public sector funding prior to billing OAPP. The University also has not implemented a client/patient fee determination system and has not established client/patient fees as required by the contract.

In addition, the Agency did not always reconcile their bank accounts on a monthly basis or require all staff assigned to the County program to complete monthly timecards identifying the hours the staff worked on the County program.

The details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with the University in October 2006 and conducted follow-up discussions in February 2007. In their attached response, the University indicated that they have implemented a client/patient fee determination system as required by the contract. The University should provide OAPP with documentation to support their system to ensure that it is in compliance with the contract.

The University also indicated that further clarification from OAPP will be requested regarding their practices in pursuing reimbursement for services from third party payers. We also notified OAPP of the results of our review.

We thank the University for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Jonathan E. Fielding, Director, Public Health Department
Thomas Yokishawa, Acting President, Charles R. Drew University
Ron Lau, Chief Financial Officer, Charles R. Drew University
Public Information Office
Audit Committee

**COUNTYWIDE CONTRACT MONITORING DIVISION
HIV/AIDS PREVENTIVE CARE AND CARE SERVICES
FISCAL YEAR 2005-2006
CHARLES R. DREW UNIVERSITY**

ELIGIBILITY

Objective

Determine whether Charles R. Drew University (University or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files of 21 participants that received services between March 2005 and January 2006 for documentation to confirm their eligibility for OAPP services.

Results

All 21 program participants' case files contained documentation to support the participants' eligibility to receive program services.

Recommendation

There are no recommendations for this section.

CASH

Objective

Determine whether cash receipts are properly recorded in the Agency's records and deposited timely into the Agency's bank account. Determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed the University's personnel and reviewed their financial records. We also reviewed the bank reconciliations for August 2005 and September 2005.

Results

The University appropriately recorded and deposited cash receipts timely. However, the University needs to improve their bank reconciliation procedures. Specifically:

- The University's general and payroll bank accounts were not reconciled monthly. At the start of our review in February 2006, both bank accounts had not been reconciled since September 2005. According to University representatives, the individual that performed the bank reconciliations was out on leave and the responsibility to complete the reconciliations had not been reassigned.
- The August and September 2005 bank reconciliations included five outstanding payroll checks totaling \$11,120 that were not issued. The payroll checks were for an employee working in Africa through another AIDS related program. Non-OAPP funds were used to pay the employee through wire transfers each month. Therefore, the five checks were not actually issued to the employee. According to University representatives, they were unaware that the payroll department was recording a payroll check to the employee in the accounting system in addition to the wire transfer.
- The bank reconciliations included reconciling items that were over 90 days old totaling \$30,729. The University took steps to resolve the majority of the old reconciling items before the completion of our review.

Recommendations

University management:

1. **Ensure that bank reconciliations are prepared within 30 days of the bank statement date.**
2. **Ensure that the bank reconciliations report valid reconciling items.**
3. **Require staff to resolve reconciling items promptly.**

REVENUE

Objective

Determine whether revenues are properly recorded and reimbursement claims to OAPP are accurately prepared and calculated. Determine whether fees collected from clients for services provided and third party payments (i.e., private insurance, Medi-Cal or Medicare) are accounted for and reported to OAPP.

Verification

We interviewed Agency personnel and reviewed the Agency's procedures for requesting reimbursement from OAPP for services.

Results

The University properly recorded revenue and accurately prepared its reimbursement claims to OAPP. However, the University does not bill Medi-Cal, private medical insurance or other public sector funding sources prior to billing OAPP. The University provides mental health counseling services which in some instances are Medi-Cal reimbursable. However, the director of the University's OAPP mental health program indicated that they do not bill Medi-Cal. The contract requires that OAPP funds only be used for services that cannot be paid for through other sources. Therefore, the Agency should pursue payment from Medi-Cal, private medical insurance and other public sector funding when available.

In addition, the University has not implemented a client/patient fee determination system as required by the contract. Therefore, the Agency has not charged a fee for services provided. The contract requires that a fee be charged based on the client's/patient's ability to pay.

Recommendations**University management:**

4. **Establish and implement a client/patient fee determination system and ensure that it is reviewed and approved by OAPP.**
5. **Pursue reimbursement from Medi-Cal for eligible client services under the mental health counseling OAPP contract.**

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed to the program.

Verification

We interviewed Agency personnel, reviewed financial records and documentation to support 62 expenditure transactions totaling \$27,848 billed by the Agency from March 2005 to October 2005.

Results

Approximately \$25,177 or 90% of the billings reviewed were appropriate and allowable. However, the University billed OAPP the following questioned costs totaling \$2,671.

- The University billed OAPP \$2,312 for an employee's farewell luncheon and a staff party that were not program related expenses.
- The University billed OAPP \$359 to advertise for a new Program Director and Clinical Social Worker. Advertising to recruit personnel for the performance of contractual requirements is allowable. However, since the University's approved contract budget did not include advertising funds the \$359 is unallowable.

Recommendations

University management:

6. **Repay OAPP \$2,671.**
7. **Ensure that only allowable expenditures are charged to the OAPP program.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed University personnel, reviewed their policies and procedures manuals, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, the University maintained sufficient internal controls over its business operations. However, the University does not always submit its monthly billings to the County within 30 days after the close of each month. The Agency submitted its billings to OAPP from one to eight months beyond the 30 day timeframe established by the County contract.

Recommendation

8. **University management ensure billings to the County are prepared and submitted within thirty days after the close of each calendar month.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the University's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this section, as the University did not use OAPP funds to purchase fixed assets.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the OAPP program. In addition, whether personnel files are maintained as required.

Verification

We reviewed payroll expenditures charged to OAPP for eight employees from April 2005 and October 2005 totaling \$11,260. We also reviewed eight personnel files of staff assigned to the OAPP program.

Results

Timecards for four exempt employees whose payroll expenditures were charged to the OAPP program did not identify the number of hours worked each day performing program activities. As a result, we were unable to verify that the payroll expenditures charged to the OAPP program for the four employees were based on time actually spent on the OAPP program. The contract requires payroll charges to be supported by time and attendance records that identify hours worked by program and by day.

Recommendations

9. **University management ensure all program employees' timecards identify hours worked on a daily basis.**

COST ALLOCATION PLAN**Objective**

Determine whether the University's Cost Allocation Plan was prepared in accordance with the County contract.

Verification

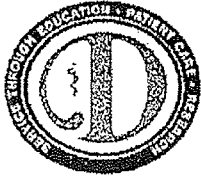
We reviewed the University's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from March to October 2005 to ensure that the expenditures were properly allocated to the Agency's appropriate programs.

Results

The University's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.



Charles R. Drew University of Medicine and Science

February 21, 2007

County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Ave Bldg A-9 1st Floor
Alhambra, CA 91803

Re: Revised Corrective Action Plan

Ms. McGloin,

Attached is our revised fiscal monitoring review of the HIV/AIDS program for the period covering March 1, 2005 to January 31, 2006. The University is submitting the following documentation in response to the requirements and findings.

We look forward to enhancing our HIV/AIDS Program and working with your staff to ensure full compliance.

If you have any questions or need addition information, please don't hesitate to contact our office.

Sincerely yours,

Kyla Lee
Director of Finance
Charles R. Drew University of Medicine and Science
1731 E. 120th Street, Los Angeles, Ca 90059
(323) 563-5860

**Charles R. Drew University
HIV/AIDS Preventive Care Services**

Recommendations:

- Ensure that bank reconciliations are prepared within 30 days of the bank statement date.
- Ensure that the bank reconciliation report valid reconciling items
- Require staff to resolve reconciling items timely

Management Response:

The University has hired a Financial Analyst who is responsible for ensuring the bank reconciliations are completed timely and accurately.

Recommendations:

- Establish and implement a client/patient fee determination system and submit their proposal to OAPP for approval
- Establish procedures to ensure that clients are screened for Medi-Cal eligibility, private medical insurance and other public sector funding as appropriate.

Management Response:

Currently all clients are screened financially per OAPP guidelines to ensure eligibility for services. Our Spectrum Program and Early Intervention Program are pursuing payment for client services from Medi-Cal, private insurance or other public funding prior to billing OAPP. With regard to this contractual obligation, we will also request Technical Assistance from OAPP for purposes of clarify and that they are fully aware of our practices.

Implementation of a client/patient fee determination system and establishment of a client/patient fee system: We have always conducted financial screening. We also have established a client/patient fee structure based on the guidelines provided by the C.A.R.E. Act Title 1 and current HHS Poverty Guidelines (see attached Financial Screening Intake Form).

Recommendations:

- Repay OAPP \$2,967
- Ensure that only allowable expenditures are charged to the OAPP program

Management Response:

The University will reimburse OAPP the funds mentioned above and will ensure only allowable expenditure will be charged to the program.

Recommendations:

- University management ensure billings to the County are prepared and submitted within thirty days after the close of each calendar month.

Management Response:

The University will submit timely and accurate invoices to the County within 30 days after the close of each calendar month.

Recommendations:

- University management ensure all program employees' timecards identify hours worked on a daily basis

Management Response:

The four exempt employees who submitted hours charged to the OAPP contract were working solely on that program, they were not working on other grants or programs. We had one employee who was being dually compensated and he was instructed to complete two time cards, one for time spent on each program (see attached time cards simple).